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October 1, 2009

Shri Pranab Mukherjee
Hon'ble Minister
Ministry of Finance
North Block
New Delhi

Hon'ble Minister,

Re: Draft Direct Taxes Code Bill, 2009 released on August 12, 2009
Sub: Suggested changes to key provisions of the Bill relevant to Private Equity / Venture Capital Funds

Indian Venture Capital and Private Equity Association (IVCA) is the oldest member based national organization that represents most of the active venture capital and private equity firms in India. Our members represent funds under management ranging from USD 5 Million to USD 3 Billion.

IVCA members provide capital for seed ventures, early stage companies, later stage expansion, and growth finance. Majority of investment by these firms result in fresh infusion of capital into the undertakings thus facilitating growth of economic activity and employment. Further, investment by these firms is typically made with a medium to long-term outlook. Hence, these firms expect certainty on taxation and regulatory front which in turn ensures stability and attractiveness of India as an investment market. In the last five and a half years US\$ 44.8 billion (INR 2,24,000 Crores) has been invested by VC/PE firms in India in over 13000 Indian enterprises.

We refer to the recent Direct Taxes Code Bill ('DTC') introduced by Government of India on August 12, 2009. The DTC marks a significant shift towards a simple and realistic direct tax regime in India. We acknowledge the efforts put in by the policy makers and draftsmen in releasing the draft DTC within 45 days, as promised in your budget speech on July 6, 2009. We at IVCA congratulate the Government for this ground-breaking initiative.

It is commendable that the Government has sought inputs on the draft DTC from various sections. As a responsible industry association, we consider ourselves duty-bound to support the Government of India in this endeavor. Accordingly, we have availed the opportunity given to the general public to provide comments on the draft DTC and have set out a few suggestions on DTC provisions of particular relevance to us for your kind consideration.

The draft DTC provisions in their present form appear to create uncertainty in respect of certain provisions. It is extremely important to have enabling provisions which would clear such uncertainty / anomaly thereby creating conducive climate for investments in India.

We have set out an executive summary providing a snapshot on certain key provisions. Please refer **Annexure I**.

A detailed discussion on each of the aforesaid issues along with others issues are provided in **Annexure II**.

We request the Government to consider our views favourably to enable create a positive and stable tax regime to encourage VC/PE investment in India. We would be happy to meet and discuss this further in detail.

We acknowledge the assistance provided by Price Water House & Coopers (PwC) and Nishith Desai & Associates in formulating IVCA's response contained in the Annexures.

We thank you for presenting us with this opportunity to provide suggestions on the draft DTC.

Yours sincerely,

For Indian Venture Capital & Private Equity Association



Mahendra Swarup
(President)



Saurabh Srivastava
(Chairman)